



# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

This past week may have been an inflection point for the markets. A wave of non negative data and lack of data meant that markets rallied strongly this week. Does this mean that all the bad news is behind us? Probably not!

But what it means is that some baseline has been established. Employment is likely not to get any worse and the economy won't slide into a second recession.

Democrats and Republications will resolve the debt ceiling limit impasse, despite the fact the Minnesota failed to pass a balanced budget and California passed a sham of a budget so that their legislature would continue to get paid.

The proverbial can has been kicked down the road in many of these cases – Greece being the major can. Lend them more money to pay old debts! US States continue to shed jobs under reduced tax receipts and pressured budgets.

Jobs continue to be the Achilles Heel of the recovery. Until companies get certainty to taxes, regulations and the economy, additional jobs will not be added.

Most profits generated by major companies this business cycle has come from layoffs and personnel reductions. Adding staff will be the last leg of the recovery.

The second half of the year looks only slightly better than the first half.

**Could this happen in the United States?**

Much has been written and talked about recently about the debt restructuring for Greece. But what does it mean to the average Greek and what parallels can be learned in the US?

Basically, in order to avoid default on its massive debt, the Greek government agreed to significant tax increases and spending cuts to receive the IMF bailout funds it needed.

Here are 10 of the most onerous:

Taxes will increase by 2.32 billion euros this year and 3.38 billion, 152 million and 699 million in the three subsequent years. There will be higher property taxes and an increase in the value-added tax (VAT) from 19 percent to 23 percent. Once VAT (essentially sales tax) start to get to these levels you have to expect a huge increase in the cash and underground economy.

Luxury levies will be introduced on yachts, pools and cars and there will be special levies on profitable firms, high-value properties and people with high incomes. The last time the US attempted these types of “soak the rich” strategy the boat building and aircraft industries shed jobs, moved offshore and took years to recover. The additional tax was miniscule. Just look at how much additional federal revenue has been generated from the sun tanning bed 10% excise tax.

Excise taxes on fuel, cigarettes and alcohol will rise by one-third. Let me reiterate by 30% - this is a huge increase, disproportionately falling on the lower economic group in society less able to absorb the increased costs.

Public sector wages will be cut by 15 percent. Actually I don't have an issue with this, but rather than cut wages, cut the additional bureaucrats and turn them from unproductive productivity choking government workers into the private sector.

Invest in retaining, education and private industry

Defense spending will be cut by 200 million euros in 2012 and 333 million each year from 2013 to 2015. Does Greece have a military?

Education spending will be cut by closing or merging 1,976 schools.

Social Security will be cut by 1.09 billion euros this year, 1.28 billion in 2012, 1.03 billion in 2013, 1.01 billion in 2014 and 700 million in 2015. There also will be means testing, and the statutory retirement age will be raised to 65 from 61.

The government will privatize a number of its enterprises, including the OPAP gambling monopoly, the Hellenic Postbank, several port operations, Hellenic Telecom and will sell its stake in Athens Water, Hellenic Petroleum, PPC electric utility and lender ATEank, as well as ports, airports, motorway concessions, state land and mining rights.

Only one in 10 civil servants retiring this year will be replaced and one in five in coming years.

Health spending will be cut by 310 million euros this year and 1.81 billion euros from 2012 to 2015.

Is this the upcoming fate for the US? In order to close the 40% shortfall we currently have in the US budget only changes this severe are going to make reductions that will make a meaningful impact on the deficit.

Are the American people, unions and businesses up to these draconian changes and are they willing to give up some benefits for the fate of the nation? We will see if this happens, in the coming months and years.

	<b>Last Week</b>	<b>End of Week</b>	<b>Next Week</b>	<b>12/31/2011</b>
<b>Gold</b>	<b>\$1,500.90</b>	<b>\$1,486.70</b>	<b>\$1,500.00</b>	<b>\$1,600.00</b>
<b>Oil</b>	<b>\$91.16</b>	<b>\$94.75</b>	<b>\$92.50</b>	<b>\$120.00</b>
<b>Dow Jones</b>	<b>11,934.58</b>	<b>12,582.77</b>	<b>12,600.00</b>	<b>12,250.00</b>
<b>Prime Rate</b>	<b>3.25%</b>	<b>3.25 %</b>	<b>3.25 %</b>	<b>4.00 %</b>
<b>Unemployment</b>	<b>9.10%</b>	<b>9.10 %</b>	<b>9.10 %</b>	<b>9.50 %</b>



## Services that we provide:

- Tax preparation, individuals, corporations, LLC's, partnerships, overseas residents, non resident aliens, prior year returns
- Annual minutes for your company
- Ability to use Quickbooks and Quicken files, Online Quickbooks
- Certified Quickbooks Pro Advisor
- Monthly accounting – we will prepare your financial statements, bank reconciliations and depreciation calculations
- Payroll preparation and filing – we offer turnkey payroll solutions
- Human Resource Management – we can prepare an employee handbook for your particular situation
- Entity selection and compliance with various State and Federal regulations
- Efficient tax strategies – we can **recommend** the most appropriate strategy for your particular situation
- Financial planning - we can give you appropriate financial planning and budgeting information
- Forensic accounting – we can investigate “white collar” crime committed against you, or your business
- Valuation services – we can assist with the valuation of your business and investment assets for specific applications, estate planning, divorce, buy and sell agreements

## New for 2010 tax year in 2011:

- You will be able to check on the status of your refunds [www.irs.gov](http://www.irs.gov)
- We will store your source documents online in a PDF file format for easy access in future years
- Electronic filing of Sub S and C Corporations and Partnerships
- We will be able to file multiple state returns this year – in the past we were limited to the number of state returns we could file for you
- Medical records – we are giving you the opportunity to have all your medical records in one secure location – [www.allmymedicalrecords.com](http://www.allmymedicalrecords.com)
- Charitable donations. Maintain your charitable deductions during the year at [www.allmydeductions.com](http://www.allmydeductions.com). In that way whether you use cash, credit card, debit card, checks, or donation of clothes etc you won't miss any deductions. Use our convenient list of accepted valuations to value your donated goods to Goodwill, Salvation Army, church, etc
- Entity selection – we have extensive information on company formation, whether it be an LLC, S Corporations, or C Corporations. Once you are incorporated we will walk you through the setup process
- Federal Identification applications – we can file and receive federal identification numbers – all on line for your convenience
- On line legal forms – we have the ability to prepare basic legal forms online
- Payroll preparation – we offer a comprehensive, competitively priced online payroll preparation service

## Payroll Processing Services



## **You provide:**

- Hours worked and employment information and forms for the staff. You can email, (Karen@psspayroll.com) fax (580) 286 5818 or call toll free (800) 937 8868 to give us this information

## **We will provide the following services:**

- No long term contract
- Payroll preparation for your employees and direct deposit of payroll checks and ACH transfer of payroll amount
- Payroll calculation within 24 hours
- Compliance with all government and state withholdings requirements
- Detailed invoice for all payroll related costs

## **Each Pay Period you will get:**

- Payroll stubs for employees
- Management report detailing cost breakdown but only one amount to pay for all federal and state taxes
- Direct deposit of net payroll

## **Each Quarter**

- We will file all required state and federal quarterly reports

## **What we need to get started:**

- W4's for each employee
- I-9's for each employee
- Direct deposit information for the employees
- Bank details for the company's payroll account
- Your Federal ID number for the business